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SUBJECT: BELARUS BI-WEEKLY POL/ECON REPORT - JANUARY 29, 2010

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11. The following are brief items of interest compiled by Embassy Minsk.

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Civil Society

12. GOB Increases Harassment and Pressure Against Unrecognized Union of Poles

As part of an effort to keep them from attending a January 21 meeting in Ivyanets, police detained for several hours up to 46 members of the Warsaw-backed Union of Poles in Belarus (UPB), an organization not recognized by the GOB. All were released with no charges filed after a Polish diplomat intervened on their behalf. The Ivyanets local chapter of the state-controlled Union of Belarusian Poles was scheduled to elect a new chairperson to replace Teresa Sobal, longstanding prominent manager of the local Polish House. The UPB members succeeded in reelecting Sobal. However, the GOB moved at the same time to engineer the appointment of a more pliant candidate to chair the local chapter. Confrontation resulting from the split between the two Unions has deepened since 2005, with pressure on the UPB increasing. Police opened on December 18, 2009 a criminal case

against Sobal over alleged misappropriation of funds in 2004. She has been banned from traveling abroad during the investigation. In addition, UPB leader Anzhelika Borys is facing charges of purported tax evasion. The Polish Embassy in Minsk expressed concern about the detentions and "escalation of the conflict" and warned that "all existing agreements on the status of this organization [UPB] are now in jeopardy." The European Parliament President, Jerzy Buzek, stated on January 22 that "we should respond decisively and firmly." The GOB countered by informing the Polish Embassy on December 26 that certain Polish diplomats in Belarus had failed to comply with "international agreements regulating activities of foreign diplomats in host countries."

13. United Democratic Forces Pledge to Continue Activities Amid Uncertainty and Defection

The United Democratic Forces' (UDF) Political Council held a meeting on January 24 to discuss the group's membership and overall strategy in advance of the April 25 local election and 2011 presidential poll. Leader of the United Civic Party and UDF Co-chair Anatol Lyabedzka refuted speculation that there would be no viable political opposition to contest these elections. "Despite different opinions," he said, the UDF "would work as one team during the local elections," including fielding candidates, campaigning, and monitoring the vote count." However, the UDF decided to postpone its presidential primaries until at least April 2010 due to elevated pressure by the GOB on a number of teachers in the Minsk region who had been threatened with dismissals for their affiliation with opposition groups. UDF Co-chair and Belarusian Party of the Left Spravedlivy Mir leader Syarhey Kalyakin echoed Lyabedzka's remarks on the need for opposition unity, saying that "under conditions of a dictatorship" there could be "no alternative to the UDF" and those "trying to destroy this platform" were acting "irresponsibly." He urged the UDF to review its strategy, have

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more members represented in the leadership, and make activities more effective. Belarusian Social Democratic Party Hramada Chairman and UDF Co-Chair Anatol Lyaikovich called upon UDF members to nominate one candidate per district to run for local polls. An independent political expert with the UDF, Vatslau Areshka, opined that the coalition would suspend attempts to establish a dialogue with the GOB until authorities demonstrate willingness to engage on an equal basis. He also suggested streamlining efforts to forge more unity among opposition groups, in particular, between the recently established Belarusian Independent Bloc (BIB) and the UDF. However, the BIB's core member For Freedom movement announced its withdrawal from the UDF on January 26, but stated that it might cooperate with "separate" UDF members because in its view "the coalition does not exist anymore."

14. Another Activist of the "Case of 14" is Amnestied, Dubski Remains in Jail

On January 15, police notified Ales Charnyshou that he had been granted amnesty. Charnyshou is one of the 14 opposition youths who had participated in the January 2008 unsanctioned entrepreneur demonstrations in Minsk. He had been serving a "correctional labor" sentence under which he was required to pay 15% of his salary to the state and banned from traveling abroad.

In the "case of 14," 1) nine have been amnestied or have paid their fines; 2) two continue to serve sentences; Artsyom Dubski is serving a one year prison sentence for violating his partial house arrest, and Maksim Dashuk remains under an extended partial house arrest; and 3) three fled overseas and face criminal evasion charges if they return to Belarus. Dubski has been denied an early release due to alleged violations of the "prison regime," deemed ineligible for the 2009 amnesty procedure because he is serving a consecutive term, and has not received an answer to his appeal to the Supreme Court following a denial by the Mahilyou Regional Court.

15. Belarus Signs Oil Deal With Russia, But Belarus Claims It Is Only Temporary

Belarus' Vice Premier Uladzimir Syamashka and his Russian counterpart Igor Sechin signed a package of documents on January 27 that will govern Russian oil deliveries to Belarus and oil transit across Belarusian territory in 2010. According to initial readings, Belarus agreed to Russia's conditions that duty-free deliveries will be limited to the 6.3 million tons a year needed for domestic purposes. (Amounts above that imported by Belarus for refining and transshipment will no longer enjoy preferential duty rates). Syamashka said the parties also agreed that oil used to make refined oil products for export to Russia will not be subject to Russian export duties. There is scope in the agreement for the total volume of duty-free deliveries for domestic needs to increase in proportion to Belarus' GDP growth, which is projected by the GOB to rise by up to 11 percent this year (Note: IMF projections fall within a 3-4 percent range. End Note). Syamashka claimed that "Belarus' budget losses will not be as heavy as had been expected." The parties also signed a joint declaration pledging uninterrupted transit of Russian oil across Belarus to third countries. Syamashka told the press that Belarus's fee charged for the transit of Russian oil will increase by 11 percent. The fee was set previously at \$3.9 per ton. Minsk also reserves the right to annually raise the fee "by the rate of inflation in Russia plus three percent," Syamashka said. Russian DPM Sechin reportedly told Russian President Dmitry Medvedev later on the same day that the signed agreements "represent a compromise" and are "well balanced." Sechin said, "We agreed to a number of compromises, bearing in mind the special relationship with our brotherly republic, with the people of Belarus." Medvedev was quoted as saying that Russia's position was to "give our Belarusian partners benefits by providing delivery for internal use at a reduced price and, on the other side, to guarantee transit." The Chairperson of Belarus' National Bank (NBB) Petr Prakapovich stated that because Russian crude oil supplied to the country (for refining and onward sale) is going to be subject to full export duties, Belarus will need additional external financing. In this regard, he does not rule out the possibility of signing a new long-term agreement with the IMF, an issue to be addressed later. Also Syamashka announced that Belarus will continue insisting on abolishing export duty on crude oil within the Customs Union. The signed agreement "will not live for long," Syamashka said, and added that "goods should move freely within the customs union. I think the Russian side

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realizes this. We should return to this matter once again and I think there will be considerable radical changes."

16. EU and Belarus Officials Discuss Customs Union, Resumption of GSP and Belarus' WTO Accession

According to the media, the office of the European Commission in Minsk issued a statement on January 27 to express concern about the possible negative effects that the establishment of the Customs Union of Belarus, Kazakhstan and Russia may have for Belarus-EU trade. The visiting European Commission's trade delegation urged their Belarusian counterparts on January 25-26 to "support the removal of adverse measures introduced by the Customs Union that brought about increased tariffs for numerous important EU export products and resist protectionist pressure by refraining from imposing new de-liberalization measures." With reference to the potential resumption of trade benefits for Belarus under the EU Generalized System of Preferences (GSP), the EU officials noted without elaboration that "Belarus has the possibility to create the necessary conditions to restore such a preferential regime." (Note: To obtain access to GSP it must receive a good score card on union activity in Belarus from the International Labor Organization, and last fall the ILO reported backtracking versus progress by the GOB) Belarus, also, did not succeed in gaining EU support for its WTO accession efforts.

According to the EU statement, the delegation "sought to better understand recent developments in Belarus's economic and trade policies, including effects of the introduction of Customs Union rules, and emphasized the need to receive from Belarus updated information (on implementation of those rules)."

17. China to Open \$5.7-Billion Credit Line for Belarus

The Chairman of Belarus' National Bank of (NBB) Pyotr Prakapovich told reporters in Minsk on January 27 that "Belarus and China have very good relations in the financial sphere. We and China have signed an agreement on the opening of a \$5.7-billion credit line and we are working on implementing (projects)." (Note: This follows a three-year swap deal struck by Belarus and China in March 2009. Under the deal, China is to give 20 billion yuans (some \$3 billion) to Belarus and in return receive eight trillion Belarusian rubles. As a result of the deal, Chinese importers will pay for Belarusian-made goods in rubles and vice versa.)

18. Belarus Ranked 150th Freest Economy among 179 Countries

According to media reports, Belarus was ranked 150th freest economy among 179 states in the 2010 Index of the Heritage Foundation and The Wall Street Journal released last week. Belarus is ranked 42nd among 43 European countries. According to the report "Belarus's economy is still characterized by pervasive state involvement and control, the small private sector remains marginalized- The government controls many financial institutions, directly or partially. Beside insecure property rights and corruption, foreign investment faces restrictions and bureaucratic inefficiency."

Quote of the Week

19. Commenting on the new appointments made in the Belarusian Committee on State Security (BKGB) on January 22 Lukashenka noted that the KGB is "in the first place required to provide thoroughly verified information of a preventive nature, based on which major managerial decisions can be made."

SCANLAN